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LA PUBLIC SERVICE
COMMISSION

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

IN RE: IN THE MATTER OF THE
APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
APPROVAL OF A GENERAL
CHANGE IN RATES AND TARIFFS

DOCKET NO. U-

DIRECT TESTIMONY OF

A. MALCOLM SMOAK

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

DECEMBER 13, 2019

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.

A. My name is Albert Malcolm Smoak. I am employed by Southwestern Electric Power Company (SWEPCO or Company) as President and Chief Operating Officer (COO). SWEPCO is an operating company of American Electric Power Company, Inc. (AEP). My business address is 428 Travis Street, Shreveport, Louisiana 71101.

Q. WHAT ARE YOUR PRINCIPAL AREAS OF RESPONSIBILITY WITH SWEPCO?

A. As President and COO of SWEPCO, I am responsible for the safe delivery of reliable electric energy and quality services to our customers. This includes oversight of the following SWEPCO functions in Louisiana, Arkansas, and Texas:

- Distribution;
- Customer service;
- Regulatory and statutory compliance;
- Community and economic development; and
- Maintenance of SWEPCO's financial performance and health.

In addition, I provide strategic coordination of transmission and generation operations as these activities affect SWEPCO's financial health and day-to-day operations. In fulfilling these roles, I coordinate with American Electric Power Service Corporation (AEPSC) departments and leaders responsible for supporting SWEPCO's provision of utility services. I also represent SWEPCO as it interacts with other operating units within the AEP system.

Q. WILL YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

A. I hold a Bachelor of Science degree in electrical engineering from Louisiana Tech University, and I am a registered professional engineer in the State of Louisiana. I am a member of the Institute of Electrical and Electronics Engineers (IEEE) and former President of the IEEE Shreveport chapter. I am a member of the National Society of Professional Engineers (NSPE), and I represent the NSPE on the National Electrical Safety Code, Subcommittee Eight.

My career at SWEPCO began in 1984 as a distribution engineer. Throughout the years, I have held positions of escalating responsibility, serving as a meterman supervisor, the Louisiana division operations superintendent, distribution operations supervisor, distribution engineering supervisor, and the Shreveport district manager of the distribution system. I assumed the position of Vice President of Distribution Region Operations in 2004, when I became responsible for Distribution throughout the SWEPCO service territory in Louisiana, Arkansas, and Texas. In May 2018, I was promoted to my current position.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSION?

A. Yes. I have filed testimony before the Arkansas Public Service Commission (APSC), the Louisiana Public Service Commission (LPSC or Commission), and the Public Utility Commission of Texas (PUCT). I have previously submitted testimony before this Commission in Docket U-23327-Subdocket A, Docket U-34619, and most recently in Docket U-35324.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to support SWEPCO's filing to initiate a rate case in compliance with Commission Order U-34806-A, dated June 3, 2019, and SWEPCO's plan to supplement this filing with a cost of service study based upon test year 2019 or a more recent twelve-month period, if necessary, once the other requirements as discussed by SWEPCO witness Mr. Thomas P. Brice, Vice President Regulatory and Finance are completed. In connection with this filing, SWEPCO is also requesting an extension of its Formula Rate Plan (FRP) beginning with the 2020 test year, and with revisions to the terms as further discussed by Mr. Brice. I will also describe the Company and the areas served by SWEPCO in Louisiana, Texas, and Arkansas. I will also support SWEPCO's request for renewal of the updated Service Quality Improvement Program (SQIP), with any necessary changes. Lastly, I will discuss SWEPCO's request to expedite a rate levelization proposal to lower summer charges for Louisiana residential customers for the benefit of customers as discussed by Mr. Brice.

III. SWEPCO OVERVIEW

Q. PLEASE DESCRIBE SWEPCO.

A. SWEPCO is a vertically-integrated electric public utility, with headquarters in Shreveport, Louisiana, that has provided service to Louisiana customers for over 106 years, as well as service to Arkansas and Texas customers. SWEPCO generates, transmits, and delivers electricity to approximately 536,000 retail customers, of which approximately 231,000 are located in Louisiana. SWEPCO is a member of the Southwest Power Pool (SPP) and SWEPCO's service territory encompasses northwestern and central Louisiana, western

Arkansas, and East Texas and the Panhandle area of North Texas. Specifically, in Louisiana, SWEPCO serves customers in the following eleven Parishes: Caddo, Bossier, DeSoto, Webster, Bienville, Red River, Natchitoches, Sabine, Winn, Grant and Vernon.

SWEPCO has 1,700 employees, and operates 4,138 miles of transmission lines, and 25,255 miles of distribution lines throughout its service territory. SWEPCO also owns and operates the following generating units and power stations either in full ownership or co-ownership with a total Generation Capacity of approximately 5,162 MW: J. Lamar Stall Combined Cycle Natural Gas Plant; Arsenal Hill Unit; John W. Turk Plant; Flint Creek Power Plant; Welsh Power Plant Units 1 and 3; Knox Lee Power Plant; Dolet Hills Power Station; Pirkey Power Plant; Wilkes Power Plant; Mattison Power Plant; Lieberman Power Plant; and the Lone Star Power Plant.

Q. PLEASE DISCUSS THE OVERALL ORGANIZATION OF THE AEP SYSTEM AND HOW SWEPCO FITS WITHIN THAT SYSTEM.

A. AEP is an electric utility holding company whose electric utility subsidiaries, including SWEPCO, provide generation, transmission, and distribution services to more than five million retail customers in Louisiana, Arkansas, Texas, Indiana, Kentucky, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia, and West Virginia.

Q. DOES SWEPCO RECEIVE SERVICES FROM AEPSC?

A. Yes. AEPSC, a wholly owned subsidiary of AEP, provides utility support services such as engineering, financial, and human resources at cost for all operating units within the AEP system. SWEPCO and other AEP operating companies benefit from substantial economies of scale through the use of services provided by AEPSC. The use of AEPSC eliminates the need to maintain a separate and independent organization structure and information

technology system for these services within SWEPCO, and allows for the availability of subject matter experts to serve all AEP operating communities.

Q. CAN YOU PLEASE DESCRIBE SWEPCO'S SUPPORT FOR ITS LOUISIANA COMMUNITIES?

A. SWEPCO's commitment to its Louisiana communities goes beyond the provision of safe and reliable electric power. SWEPCO's corporate headquarters is in downtown Shreveport, Louisiana, and has served Louisiana ratepayers for over 106 years. Approximately 859 SWEPCO and AEPSC employees live, shop, and work in the Louisiana communities we serve. In 2018, SWEPCO generated \$17.9 million in franchise fees and sales, and \$25.6 million in property taxes in Louisiana, thus supporting our local governments. The property taxes on our power plants provide substantial benefits to the service territory, including substantial sums that directly benefit education, roads and infrastructure, and law enforcement, among other services and benefits to our communities. SWEPCO also engages with many contractors to perform tree trimming services, as well as construction for transmission projects, through its service territory in Louisiana.

In addition to its business presence in the state, SWEPCO is dedicated to partnering with its communities in support of their growth and development. SWEPCO has contributed shareholder funds through the AEP Foundation and has made other contributions to our communities for organizations providing services in the areas of education, community service, and economic development. We provide a strong community presence in the Ark-La-Tex and actively encourage employees to volunteer in their communities.

Q. HAS SWEPCO MAINTAINED A HIGH LEVEL OF CUSTOMER SATISFACTION?

- A. Yes. SWEPCO participates in independent ongoing surveys to measure the level of customer satisfaction. The 2018 results for SWEPCO indicate an overall customer satisfaction level of 87% among residential customers and 86% among commercial customers. The survey also indicates an 84% satisfaction rating among residential customers for the reliability of electricity and 84% for service restoration. For commercial customers, the satisfaction rating is 87% for reliability of electricity and 85% for service restoration.

IV. BASE RATE CASE FILING, FRP EXTENSION AND RATE LEVELIZATION PROPOSAL

- Q. IS SWEPCO PROCEEDING WITH THIS FILING TO INITIATE A BASE RATE CASE PROCEEDING IN ACCORDANCE WITH COMMISSION ORDER U-34806-A?

- A. Yes. As further discussed by Mr. Brice, SWEPCO is filing to initiate the base rate case and will supplement this filing with a cost of service based on the 2019 test year or a more recent twelve-month period, if necessary, along with supporting testimony and exhibits. Completion of this cost of service study will require the completion of and final order in the current 2017 TY FRP, and rolling forward all FRP rate changes from 2012 to the present. Commission Staff has been completing its review of SWEPCO's 2017 TY FRP in Docket No. U-34806, and have continued discussions with SWEPCO in that proceeding.

- Q. IS SWEPCO REQUESTING AN EXTENSION OF ITS FRP IN THIS PROCEEDING?

- A. Yes. SWEPCO is requesting a five-year extension and an update of its FRP, beginning with the 2020 test year. For over a decade now, the FRP provided for the efficient review of SWEPCO's cost of service, and we are requesting that the FRP be extended and amended as further discussed by Mr. Brice.

Q. IS SWEPCO ALSO PROPOSING A RATE LEVELIZATION PLAN TO REDUCE THE CURRENT DIFFERENTIAL BETWEEN SUMMER AND WINTER BILLS?

A. Yes. Currently, SWEPCO's rates contain a differential between summer and winter rates. Louisiana, including the SWEPCO territory, normally experiences hot summers, and customers' usage is substantially higher in the summer months. SWEPCO proposes to modify the existing FRP percentages to reduce the differential between winter and summer charges while providing the appropriate level of annual base revenues. This proposal will lower summer electric bills for customers while winter bills will be slightly increased during winter months when there is lower usage. Mr. Brice further discusses the proposed implementation of this bill levelization proposal for the benefit of ratepayers.

Q. IS SWEPCO REQUESTING EXPEDITED APPROVAL OF ITS BILL LEVELIZATION PROPOSAL FOR THE BENEFIT OF LOUISIANA CUSTOMERS?

A. Yes. The winter rates, which would normally begin in November, would need to be effective no later than the first billing cycle of February 2020, with the summer rates to be effective from May 1, 2020 through October 1, 2020.

V. SWEPCO'S PROPOSAL TO EXTEND ITS SQIP

Q. PLEASE DESCRIBE THE SQIP.

A. The SQIP program has been instrumental in maintaining service and reliability for SWEPCO's Louisiana ratepayers since 1999. The SQIP was updated in 2014 in Order U-32220 to reflect SWEPCO's acquisition of the Valley service territory, and extended again in Order U-34200-A, dated May 18, 2017, as Appendix B, and provided for necessary vegetation management authorization so as to maintain reliable electric service for SWEPCO's Louisiana customers.

Q. PLEASE DESCRIBE THE NEED FOR VEGETATION MANAGEMENT.

A. Vegetation management involves maintaining and clearing the distribution rights of way (ROW), and includes tree pruning and removal, mowing, brush cutting, and the application of tree-growth regulators and herbicides. A robust vegetation management is critical to maintaining the reliability of SWEPCO's distribution system and serving our customers. In general, SWEPCO's vegetation management programs include capital spending opportunities, as well as targeted reliability activities such as underground conversion where appropriate, and a minimum level of funding for vegetation management. The base annual vegetation management budget is \$10,000,000 for the legacy SWEPCO service territory in Docket U-32220-D through the term of the SQIP. There was an additional \$8,000,000 over and above the base level for vegetation management during the prior extension of the SQIP to help address service needs, including those in the Valley District, in Order U-34806. SWEPCO's approach is an efficient method that allows SWEPCO to address the circuits most in need of vegetation management to improve service for customers.

Q. DOES THE SQIP ALSO HAVE REPORTING REQUIREMENTS INCLUDING SAIDI AND SAIFI?

A. Yes. The SQIP requires annual reporting of reliability indices based on the number and duration of outages as measured by SAIDI and SAIFI, and these reports are filed with the Commission annually on April 1st.

Q. HAS THE SQIP HELPED TO MAINTAIN OR IMPROVE SWEPCO'S RELIABILITY?

A. Yes. For 20 years the SQIP has helped maintain reliable service for Louisiana customers. In recent years, the additional vegetation management budget in the mostly rural Valley

District service territory has been instrumental in providing reliable service to customers since the acquisition of Valley Electric on October 1, 2010.

Q. HAS THE COMMISSION PREVIOUSLY EXTENDED OR AMENDED THE SQIP?

A. Yes. The SQIP was previously amended and updated in Order U-32220 to account for the addition of the Valley Electric service territory. The SQIP was subsequently unanimously extended, with the base annual vegetation management budget of \$10,000,000 for the legacy SWEPCO service territory through December 31, 2019 in Docket U-32220-D. That Docket provides for increases to the incremental vegetation management budget of “up to \$8,000,000” to help address service needs, including those in the Valley District, in Order U-34806.

Q. IS SWEPCO PROPOSING THE EXTENSION OF ITS SQIP IN CONNECTION WITH THIS PROCEEDING?

A. Yes. SWEPCO has filed a request to extend the SQIP for an additional two years, for 2020 and 2021, which is currently pending before the Commission, and will be addressed at the December B&E. SWEPCO and Staff will begin discussions regarding any changes to the SQIP that may be necessary. After those discussions, SWEPCO would file an updated SQIP proposal and would respectfully request that the SQIP be extended concurrent with the term of its FRP for the benefit of Louisiana ratepayers.

VI. CONCLUSION

Q. PLEASE SUMMARIZE SWEPCO’S REQUESTS IN THIS PROCEEDING?

A. SWEPCO is filing to initiate a base rate case in accordance with Commission Order U-34806-A dated June 3, 2019, and will supplement this initial filing with additional testimony and schedules for a cost of service based upon an updated test year as further

described in the testimony of Mr. Brice. SWEPCO is also requesting a renewal of the FRP Term Sheet for five years beginning with the 2020 test year, and the extension of an updated SQIP for the duration of the term of the Proposed FRP, as it helps maintain reliable service for SWEPCO's Louisiana customers and is in the public interest. Lastly, SWEPCO is requesting approval of the rate levelization proposal so as to reduce residential summer bills for customers when usage is at its highest.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.